

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
To Revise Its Electric Marginal Costs, Revenue
Allocation, and Rate Design.

(U 39 M)

Application 04-06-024
(Filed June 17, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING ON
JUNE 3, 2005 SUPPLEMENTAL RESIDENTIAL
AND SMALL LIGHT AND POWER SETTLEMENTS**

On June 3, 2005, Pacific Gas and Electric Company and several parties moved for Commission adoption of Supplemental Residential and Small Light and Power Settlements. To assist the Commission in its consideration of the motion, parties are asked to address the issues and answer the questions stated in Attachment A.

IT IS RULED that parties shall come to the evidentiary hearing at 10:00 a.m. on July 11, 2005, prepared to address the issues and answer the questions stated in Attachment A. Written responses should be served in advance of July 11, 2005 to the extent feasible.

Dated July 1, 2005, at San Francisco, California.

/s/ BURTON W. MATTSON

Burton W. Mattson
Administrative Law Judge

ATTACHMENT A

ITEMS REGARDING JUNE 3, 2005 MOTION FOR COMMISSION ADOPTION OF SUPPLEMENTAL RESIDENTIAL AND SMALL LIGHT AND POWER SETTLEMENTS IN APPLICATION 04-06-024

Parties should come to the evidentiary hearing on July 11, 2005 prepared to address the following issues and answer the following questions by: (1) identifying where in the record the information may be found, (2) providing additional written proposed evidence in response, and/or (3) offering witnesses to address these matters. Questions at the evidentiary hearings, if any, will not necessarily be limited to those in this attachment.

1. June 3, 2005 Motion

1.1. Reasonable in Light of Whole Record

- 1.1.1. Settling Parties identify the record (e.g., prepared testimony, June 3 Motion, Supplemental Settlements); state that it contains sufficient information for the Commission to judge the reasonableness of the June 3, 2005 Supplemental Settlements; and conclude that the outcomes are reasonable for the issues resolved in each Supplemental Settlement because they constitute compromises between applicant and active parties. (Motion at 3.)
- 1.1.2. Please cite to some of the more important examples in the record of a party's position on a contested issue along with the resulting compromise which support Settling Parties' assertion that each Supplemental Settlement is reasonable in light of the whole record.

1.2. Consistent With Law

- 1.2.1. Settling Parties assert that the Residential and Small Light and Power (SLP) Settlements are consistent with all applicable statutes and prior Commission decisions. In support, Settling Parties cite Water Code § 80110 (adopted as part of Assembly

Bill 1X in January 2001) because the residential class revenue requirement changes will be allocated entirely to rates for usage above 130 percent of baseline. Settling Parties conclude that the Residential and SLP Settlements are consistent with law. (Motion at 3-4.)

- 1.2.2. Do any other applicable Code Sections or Commission decisions include rate level, rate design or other requirements that must be considered here? If so, please cite to some of the more important ones, and show how Settling Parties believe each Supplemental Settlement satisfies those requirements.

1.3. In The Public Interest

- 1.3.1. Settling Parties assert that the Residential and SLP Settlements are each in the public interest. In support, Settling Parties state that each Settlement is the result of discussions among active parties on those issues, is a reasonable compromise of the respective interests and litigation positions, and was actively negotiated and affirmatively agreed to by the Office of Ratepayer Advocates and applicant. (Motion at 4.)
- 1.3.2. Please identify any other significant examples in support of Settling Parties' assertion that each Settlement is in the public interest. In particular, please address the extent to which each Settlement meets some or all of the following rate design objectives as they might relate to the public interest: conservation, efficiency, equity, understandability, simplicity, customer acceptance, reduction of options where there are few customer benefits, rate stability, avoidance of "rate shock," rate variability to follow changes in cost, rates based on cost, rates that reflect customer value, comparability to rates of neighboring utilities or competitors, short term prices signals, long-term price signals, cost sharing on an equal proportionate basis, economic development, customer retention. (Scoping Memo, Attachment A, page 3, footnote 7.)

2. June 3, 2005 Supplemental Residential Settlement

2.1. Bill impact analysis:

2.1.1. Please provide a bill impact analysis between present and Settlement-proposed rates (e.g., Exhibit 4, Attachment D; updated in Exhibit 6; updated again in Exhibit 11, Attachment 5; partly updated in Exhibit 48, Answer 1).

2.1.2. A new Tier 3 is proposed for medical baseline. If not already included with Item 2.1.1 above, please provide an analysis to address the bill impact on medical baseline customers.

2.2. Comparison Exhibit: Please provide a comparison exhibit which indicates the impact of the Settlement in relation to each Settling Party's position regarding the more significant rate design issues. For example, Settling Parties might first identify the major rate design element that was contested (e.g., number of tiers, rate level considerations, medical baseline Tier 3 rate, CARE Tier 3 rate) followed by their position and the Settlement outcome.

2.3. Baseline Changes: Please explain how baseline amounts may be decreased with resulting increases in customer bills and remain compatible with the requirement in AB 1X (Water Code § 80110) that electricity charges not increase beyond February 1, 2001 levels until all Department of Water Resources costs incurred under Water Code § 80130 have been fully repaid. (Water Code § 80110.) Is this because baseline decreases are limited to the levels on February 1, 2001 (re: Exhibit 4, page 2A-5; Exhibit 48, Answer 1)?

2.4. Tier 3, 4 and 5 Surcharges: "Prior to a decision in the 2007 GRC Phase 2 proceeding, rates for usage in excess of 130 percent of baseline for non-CARE customers shall be determined by setting the Tier 3, 4, and 5 surcharges the same on all applicable non-CARE residential rate Schedules E-1, E-6, E-7, E-8, and E-9, as well as applicable multifamily Schedules EM, ES, ESR, and ET." (Residential Settlement at § 5.2.4.)

2.4.1. Please explain.

2.4.2. Please explain, or show by an example, what is meant by "surcharges."

- 2.4.3. Please state whether this means each rate change will be allocated on an equal cents per kWh basis to all usage over 130% of baseline.
 - 2.4.4. Please clarify that this structure exists for the time of use (TOU) rate options (e.g., all time periods increase by the same amount).
 - 2.4.5. Please consider providing one or more hypothetical examples of a rate change and show how it is applied to Tiers 3, 4, and 5.
- 2.5. Time of Use Rates: Effective May 1, 2006, TOU Schedules E-7, EL-7, E-A7 and EL-A7 are closed to new enrollments, and new Schedules E-6 and EL-6 are open to new enrolments. (Residential Settlement at § 5.2.6.)
- 2.5.1. Does the Settlement permit customers on TOU schedules closed on May 1, 2006 to switch to a new TOU schedule?
 - 2.5.2. Is this permitted under the terms of AB 1X?
 - 2.5.3. What are the factors that govern whether or not a switch (a) is permitted or (b) would be desirable from the point of view of a customer?
- 2.6. Composition of Total Rates: “The composition of total rates by tier shall be designed such that the rate differential by tier shall be made up of both generation and distribution, within each tier in the same proportion as total distribution to generation revenues allocated to the schedule.” (Residential Settlement at § 5.2.8.)
- 2.6.1. Please explain.
 - 2.6.2. Please consider providing one or more hypothetical examples to show how this will be implemented.

2.7. Seasonal Rates: The Draft Energy Action Plan II would adopt nine specific action areas, two of which are: Energy Efficiency and Demand Response. Key action items in those two areas include: (a) improving public awareness of energy efficiency and (b) education about the time sensitivity of energy use. “Time sensitivity” may or may not include seasons. The effort may largely focus on advanced metering.¹ At the same time, the Governor recently called on Californian’s to conserve energy this summer and reported that “California will face big energy challenges this summer and maybe for years to come.”²

- 2.7.1. The Commission suspended the availability of residential seasonal rates to new customers (Schedule E-8) based on concerns about cost recovery, equity and conservation saying “we will suspend the availability of this tariff to new customers until such time as the Commission performs a comprehensive review of PG&E’s rate structures.” (D.01-05-064, mimeo., pages 39-40.) Please comment on whether the Commission should now lift the suspension or consider adopting residential rates that vary by season (e.g., summer versus winter).
- 2.7.2. Applicant shall, and others may, make a proposal that includes seasonally-differentiated residential rates (e.g., no increase to rates up to 130% of baseline, with different summer and winter rates for Tiers 3, 4 and 5).
- 2.7.3. As part of the proposal, please address how residential class revenue requirements are allocated to seasons for the purpose of seasonally-based rates, and/or how well such rates recover costs.
- 2.7.4. Please address equity, conservation and any other matters the Commission should consider in making an informed decision.

¹ A copy of the Draft Energy Plan is available on the Commission’s website at: <http://www.cpuc.ca.gov>.

² June 23, 2003 Press Release and June 25, 2005 Weekly Radio Address. The Press Release and a transcript of the Weekly Radio Address are available on the Governor’s website at: <http://www.governor.ca.gov>.

- 2.7.5. Applicant shall, and others may, state their recommendation for or against such rates.

3. June 3, 2005 Supplemental Small Light and Power Settlement

- 3.1. Bill impact analysis: Please provide a bill impact analysis between present and Settlement-proposed rates. In particular, please show the total bill impacts related to:
- 3.1.1. Customer charge increases for Schedules A-1, A-6 and A-15.
 - 3.1.2. The effect of discontinuing Schedule E-36 and transferring those customers to Schedule A-1 effective May 1, 2006.
- 3.2. Comparison Exhibit: Please provide a comparison exhibit which indicates the impact of the Settlement in relation to each Settling Party's position regarding the more significant rate design issues. For example, Settling Parties might first identify the major rate design element that was contested followed by their position and the Settlement outcome.
- 3.3. Energy rates: "Energy rates for the unbundled public purpose program, distribution and generation rate components for Schedule A-15 will be set equal to those calculated for Schedule A-1." (SLP Settlement at § 4.2.4.) Does this mean that Schedule A-1 and A-15 rates are revenue neutral?

(END OF ATTACHMENT A)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of Administrative Law Judge's Ruling on June 3, 2005 Supplemental Residential and Small Light and Power Settlements in Application 04-06-024 by using the following service:

☒ E-Mail Service: sending the entire document as an attachment to all known parties of record who have provided electronic mail addresses.

☒ U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Dated July 1, 2005, at San Francisco, California.

/s/ FANNIE SID
Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.